

PRICE REGULATION PLAN

FOR

BELLSOUTH TELECOMMUNICATIONS, INC.

BellSouth Telecommunications, Inc. (BellSouth) elected, effective July 14, 1999, to have the rates, terms, and conditions for its services regulated under the price regulation plan set forth in S.C. Code Ann. §58-9-576(B). The referenced code section provides for alternative forms of regulation, or price regulation, rather than rate of return or other forms of earnings regulation. The rates, terms and conditions set forth in the then effective and existing BellSouth tariffs and contracts for all services on July 14, 1999, the date that BellSouth notified the Commission of its intent to elect the plan described in Section 58-9-576 (B)(2), are considered to be just and reasonable.

Prices for flat-rated local exchange services for residential and single-line business customers as defined under Section 58-9-576 (B)(3) cannot be increased from their current levels for a fixed period of time. Commission Order No. 1999-411 imposed a period of at least sixty months from January 1, 2000 during which these services cannot be increased from their current levels. BellSouth can increase its prices for services defined under Section 58-9-576 (B)(4) upon the expiration of the Commission's imposed maximum rate pricing restriction period pursuant to an inflation-based price index consistent with Section 58-9-576 (B)(4). The inflation-based price index will be established prior to the expiration of the Commission's maximum rate pricing restriction.

BellSouth in setting prices for all other services, which are services not defined under Section 58-9-576 (B) (3), must adhere to the requirements contained in Section 58-9-576 (B) (5). Changes to the rates for these other services must not unreasonably discriminate between similarly situated customers, and subject to a complaint process, must not reflect an abuse of market position. BellSouth's price increases for these other services shall not exceed five percent (5%) of aggregate revenues in a twelve (12) month period.

Pricing for the introduction of new products and services must adhere to the requirements contained in Section 58-9-576 (B) (5). Prices for these services must not unreasonably discriminate between similarly situated customers, and, subject to a complaint process, and must not reflect an abuse of market position. In addition, prices for all services other than basic service shall be set at rates that equal or exceed BellSouth's long run incremental cost of providing such services. Any prices which deviate from long run incremental costs could be an abuse of market power. The Commission's current complaint process would address possible market power abuses.

BellSouth shall comply with the requirements of Section 58-9-576 (B) (6), which states that it shall file tariffs for its local exchange services that set out the terms and conditions of the services and the rates for such services. Tariffs filed are presumed valid and the time frames set forth pursuant to such Section shall not be affected by allegations of violations of the price setting guidelines or complaints filed through the Commission's existing complaint process. A tariff shall be presumed valid and become effective seven days after filing for price decreases and fourteen days after filing for price increases.

The Commission's current complaint process, 26 S.C. Code Ann. Regs. 103-835 (1976), and the related following sections are to be used for allegations of violations by BellSouth of the Commission's guidelines as set forth in accordance with Section 58-9-576 (B)(5).